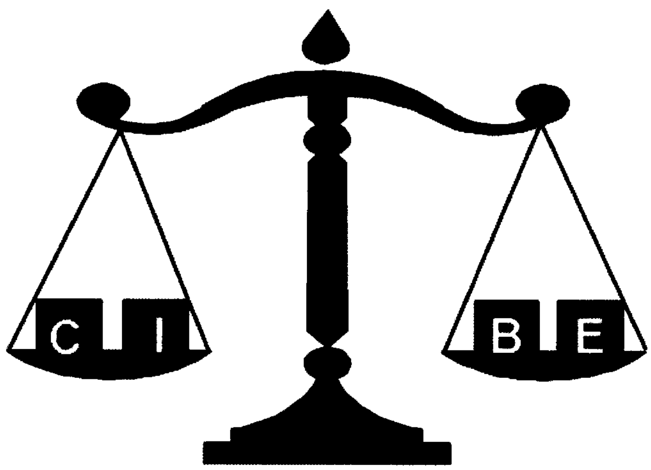
EXHIBIT 14
DATE 01/09/2013
HB

MONTANA TEACHERS' RETIREMENT SYSTEM



C = Contributions **B = Benefits**

I = Investment Income **E = Expenses**

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TEACHERS' RETIREMENT SYSTEM

Established in 1937 to provide retirement, death, and disability benefits to teachers and professional staff, TRS serve active and retired teachers and education professionals in the State of Montana, TRS has grown from initial enrollment of 3,367 members to more than 18,372 active members and 13, 363 retired members. We work with 352 school districts, 9 state agencies, and 5 college/university units. TRS benefits contributed over $212,000,000 into the local and state economies in 2012.

TRS Board

- Governed by a six-member Board appointed by the Governor
  - Four members are appointed from the teaching profession
    - One must be an active classroom teacher
    - One must be a retired TRS member
  - Two members are appointed as representatives of the public

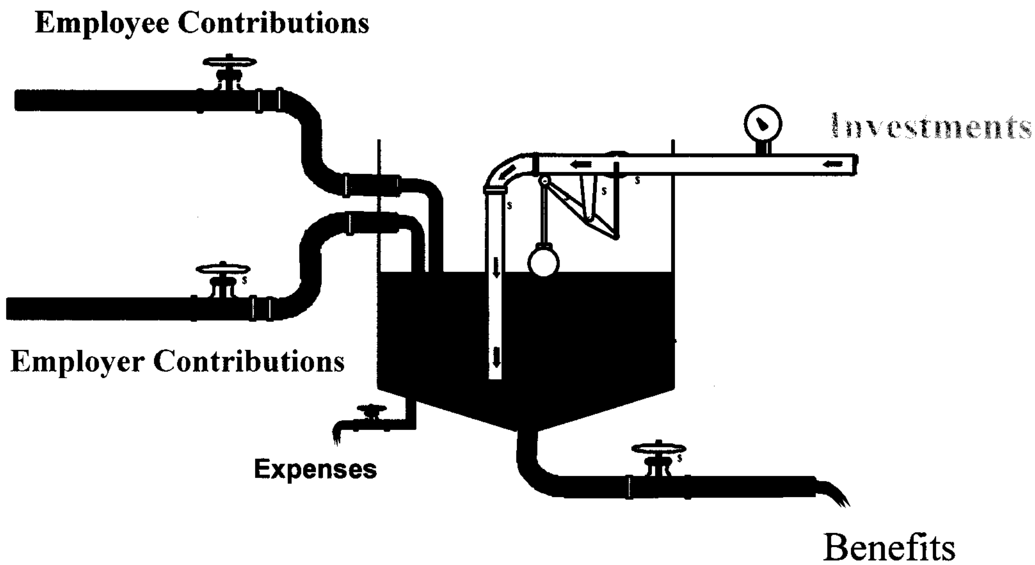
- Responsible for administration of the system. Staff and necessary experts (consulting actuary, tax counsel, etc.) to carry out day-to-day duties of the system.
  - The assets of TRS are invested by the Montana Board of Investments (BOI).

TRS Board Members

Jeff Greenfield, Active Member Sheppard, MT Chair	July 1, 2016	jgreenfield@mt.gov
Scott Dubbs, Active Member Lewistown, MT	July 1, 2013	sdubbs@mt.gov
Robert Pancich, Public Member Great Falls, MT Vice Chair	July 1, 2014	rpancich@mt.gov
James Turcotte, Public Member Helena, MT (also member of BOI)	July 1, 2015	jturcotte@mt.gov
Marilyn Ryan, Retired Teacher Missoula, MT	July 1, 2016	mryan2@mt.gov
Kari Peiffer, Active Classroom Teacher Kalispell, MT	July 1, 2017	kpeiffer@mt.gov

How Pension Systems Work

The following is a simple schematic of a pension system. Flowing into the system are employee and employer contributions and any investment earnings. Flowing out of the system are retirement benefits and administrative expenses.



Employee and employer contributions are based on a percentage of employee payroll. In addition, the legislature has, when necessary, approved a direct cash infusion from the state general fund to replace assets lost to market downturns. Current contribution rates:

School District and Other Employers

	Members	Employers	General fund	Total employee & employer
Contribution Rates	7.15%	7.47%	2.49%	17.11%

State and University Employers

	Members	Employers	General fund	Total employee & employer
Contribution Rates	7.15%	9.85%	0.11%	17.11%

Actuarial Valuation

An actuarial valuation is an *analysis* of the expected liabilities (retirement payments and expenses) and assets (contributions and investment income) as of June 30 of each year. The purpose of the valuation is to provide a summary of the funded status of the System and to identify the employer contribution rate necessary to fund TRS on an actuarially sound basis. The valuations are prepared by independent, certified actuaries at the end of each fiscal year. The reports are publicly available by the first week of October.

Actuarial Value of Assets

Assets can be seen through the lens of either market value or actuarial value.

- *Market value* is the amount of money that could be acquired if the asset were exchanged on the open market; it is a snapshot of one particular moment in time.
- *Actuarial value* spreads each year's gain or loss over a four-year period (smoothing). Using a smoothing method is a way of accounting for the fluctuations in the investment markets.

When making decisions based on actuarial data, it is important to look at how the system is doing - is funding improving or getting worse - and not rely on where the plan is at a single point in time.

Actuarial Accrued Liability

The *actuarial accrued liability* – the amount needed to pay future obligations. Like a mortgage, the amount owed to current and future retirement system members should be paid off within a specific period of time with employee and employer contributions and investment earnings. An *unfunded actuarial liability* occurs when the actuarial accrued liability is more than the actuarial value of assets. In other words, if the current value of *benefits earned* by members of TRS is not covered by the plans assets – you will see an unfunded actuarial liability.

Actuarial Soundness Required

Article VIII of the State Constitution states that "public retirement systems shall be funded on an actuarially sound basis." A retirement plan is generally considered actuarially sound if current contribution rates will amortize the unfunded actuarial liabilities of the plan over a reasonable period of time, not to exceed 30 years. (i.e., pay off like a mortgage over 30 years).

Contract Rights

Any modification to TRS benefits must be scrutinized under the Contracts Clause in the state and federal constitutions, and with regard for the TRS statutes. The Federal Contract Clause prohibits states from passing legislation that substantially impairs an existing contract, but even a substantial impairment may not violate the Contracts Clause if it is reasonable and necessary to achieve an important public purpose. To establish that a substantial impairment is reasonable and necessary, the state must show that it could not achieve its intended outcome through measures that did not impair the contract.

TRS Actuarial Funded Status: July 1, 2013

Actuarial Value of Assets:	$2,852,007,000
Market Value of Assets:	$2,932,202,000
Unfunded Liability:	$1,962,719,000
Percent Funded:	59.24%
Amortization Period	Infinite
Required Contribution Increase As of July 1, 2013 (Shortfall)	4.89%

MONTANA TEACHERS' RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL VALUATIONS

Year	Actuarial Accrued Liability	UNFUNDED LIABILITIES	ACTUARIAL VALUE OF ASSETS	AMORTIZATION PERIOD
1971	215,210,895	93,968,997	66,253,090	68.40
1973	250,323,644	112,189,085	84,345,217	41.00
1975	456,976,945	219,345,049	103,403,027	46.75
1977	650,534,903	320,710,602	142,973,994	43.75
1979	739,207,759	354,351,575	175,975,758	48.15
1981	807,543,614	402,612,325	226,577,611	48.50
1983	1,041,159,207	519,277,339	291,844,682	40.25
1985	1,181,941,493	559,132,131	390,093,608	37.55
1987	1,336,488,140	586,200,000	504,493,022	36.46
1989	1,490,474,980	602,528,000	653,744,203	36.31
1992	1,821,800,000	548,900,000	954,500,000	32.90
1994	2,088,100,000	535,400,000	1,157,500,000	31.70
1996	1,841,600,000	464,900,000	1,376,700,000	27.20
1998	2,032,700,000	223,700,000	1,809,037,125	9.20
2000	2,247,500,000	304,400,000	2,247,511,267	15.10
2002	2,868,300,000	383,500,000	2,484,781,648	23.40
2004	3,243,500,000	757,800,000	2,485,696,010	> 30.00
2005	3,400,800,000	903,300,000	2,497,507,376	Infinite
2006	3,608,900,000	863,100,000	2,745,771,047	Infinite
2007	3,775,100,000	768,900,000	3,006,232,625	28.60
2008	4,108,000,000	794,600,000	3,159,134,766	31.30
2009	4,331,000,000	1,411,583,000	2,762,194,278	Infinite
2010	4,518,200,000	1,561,600,000	2,956,583,029	49.50
2011	4,658,600,000	1,792,110,000	2,866,483,000	Infinite
2013	4,814,726,000	1,962,719,000	2,852,007,000	Infinite

TRS: 2013 LEGISLATIVE SUMMARY

FUNDING PROPOSAL – Required Rate Increase is 4.89% (HB 112 – Rep. Jean Price)

Current Members:
Effective July 1, 2013, adds a 1% *supplemental* employee contribution to the current employee normal rate of 7.15%, for an aggregate contribution rate of 8.15%. The supplemental contribution provision includes triggers to reduce/eliminate the supplemental contribution as the retirement system returns toward actuarially sound funding.

New Members:
Members joining TRS on or after July 1, 2013, would see the most changes from the funding proposal:

- Normal contribution rate of 8.15% with triggers for supplemental increases up to a total of 1% if necessary in future.
- Full benefits at age 60 with 5 full years - or age 55 with 30 or more years - of service.
- Early retirement eligibility at age 55 with at least 5 full years of service
- Average final compensation increased to 5 years instead of 3.
- Multiplier increased to 2% for members age 60 and older with at least 30 full years of service.
- Eligibility for disability benefits would be limited to members not eligible for unreduced retirement benefits.
- Unreduced survivor benefits limited to beneficiaries of members who die while an active member or within one year of leaving active service.

Employers:

- Add a *1% supplemental* employer contribution to the current employer rate of 7.47% for school districts, and 9.85% for state agencies and the university system. The aggregate contribution rates will be 8.47% and 10.85%. The supplemental contribution provision includes triggers to reduce/eliminate the supplemental contribution as the retirement system returns toward actuarially sound funding.

State Contribution:

- Annual $25 million payment to TRS from state land trust revenues.

MUS EMPLOYER SUPPLEMENTAL RATE INCREASE (HB 90 – Rep. Jesse O'Hara)

- Pursuant to §19-20-621, MCA, the supplemental employer contribution rate made by MUS employers must increase from 4.72% to 9.04% in order to pay their share of TRS unfunded liabilities after TRS was closed to new entrants in the university system.
- If the MUS supplemental rate is increased the full amount, the actuarially required contribution rate to fund TRS would be *reduced* from 4.89% to 3.94%.

BREAK IN SERVICE (HB 78 – Rep. Keith Regier)

- TRS members who terminate employment on or after January 1, 2014, would be required to have a 180 day break in service before they are eligible to return. This only includes employment in a position eligible to participate in TRS.
- Members who are currently retired, or who retire based on a termination date before January 1, 2014, will *not* be affected.
- Substitute teachers may be excepted as long as they work no more than 30 days during the break in service period.

HOUSEKEEPING (HB 54 – Rep. Pat Ingraham)

- Clarify the terms "position reportable to the retirement system" and "termination of employment."
- Clarify when a member is in retired member status and eligible for post-retirement employment.
- Amend the definition of normal retirement age and provide for non-forfeitability of benefits upon attainment of normal retirement age in conformity with IRS qualification standards.
- Provide for jurisdiction and venue for judicial review in the first judicial district court.

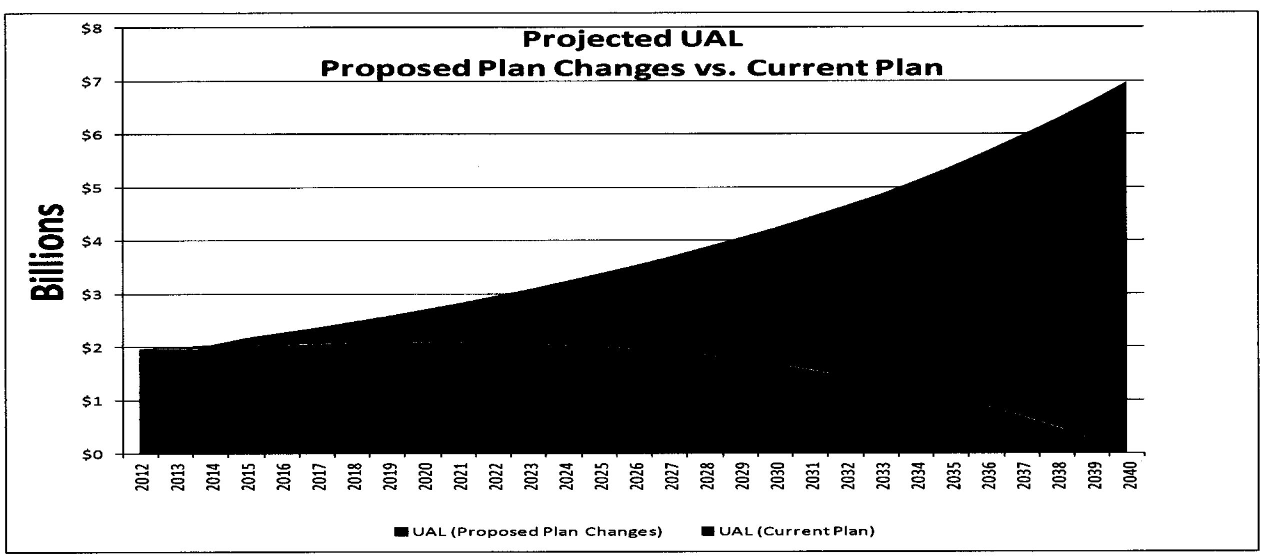
January 4, 2013

Teachers' Retirement System
State of Montana
Cost Exhibit – HB 90 & HB 112
All calculations are based on the July 1, 2012 member and asset data (All Dollar Values are in Millions)

	(1) July 1,2012 Valuation	(2) HB90	(3) HB112 as of July 1, 2013 (8.15% Member Contribution)*	(4) HB112 & HB90 as of July 1, 2013 (8.15% Member Contribution)*
Present Value of Future Benefits	$5,402.3	$5,402.3	$5,415.9	$5,415.9
Present Value of Future Normal Cost	(587.6)	(587.6)	(599.9)	(599.9)
Actuarial Accrued Liability	$4,814.7	$4,814.7	$4,816.0	$4,816.0
Actuarial Value of Assets	2,852.0	2,852.0	2,852.0	2,852.0
Unfunded Actuarial Accrued Liability	$1,962.7	$1,962.7	$1,964.0	$1,964.0
Total Normal Cost Rate	9.65%	9.65%	9.83%	9.83%
Employee Contribution Rate	(7.15)%	(7.15)%	(8.15)%	(8.15)%
Employer Normal Rate	2.50%	2.50%	1.68%	1.68%
Employer Statutory Contribution Rate				
Normal Rate	2.50%	2.50%	1.68%	1.68%
UAAL Amortization Rate	7.46%	7.46%	9.28%	9.28%
Total Rate	9.96%	9.96%	10.96%	10.96%
Amortization Period (Years)	Infinite	82	37	31 **
Required contribution rate increase effective July 1, 2013, 30-year amortization period	4.89%	3.94%	1.11%	0.16%

* Requires additional recurring $25 million per year in State funding beginning July 1, 2013

** Over time, the addition of a second tier DB benefit structure for new hires with a lower cost will accelerate amortization of the unfunded liability, resulting in a 27 year amortization period.



January 4, 2013

Teachers' Retirement System

12/01/2012

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